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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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| OMB APPROVAL | |
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Form 6-K/A

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

| | |
|--------------|------|
| REC'D S.E.C. | |
| APR 9 | 2002 |
| 070 | |

For the month of APRIL, 2002

Arauco and Constitución Pulp. Inc.

(Translation of registrant's name into English)

Agustinas 1070, Sixth Floor, Santiago, Chile

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☒ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2 (b):
_____.

PROCESSED

APR 15 2002

THOMSON
FINANCIAL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Celulosa Arauco y Constitución, S.A.

(Registrant)

On April 9, 2002

By _____

(Signature)*

Alejandro Pérez, Chief Executive Officer

Print the name and title under the signature of the signing officer.

GENERAL INSTRUCTIONS

Rule as to Use of Form 6-K.

This form shall be used by foreign private issuers which are required to furnish reports pursuant to Rule 13a-16 or 15d-16 under Securities Exchange Act of 1934.

Information and Document Required to be Furnished.

Subject to General Instruction D herein, an issuer furnishing a report on this form shall furnish whatever information, not required to be furnished on Form 40-F or previously furnished, such issuer (i) makes or is required to make public pursuant to the law of the jurisdiction of its domicile or in which it is incorporated or organized, or (ii) files or is required to file with a stock exchange on which securities are traded and which was made public by that exchange, or (iii) distributes or is required to distribute to its security holders.

The information required to be furnished pursuant to (i), (ii) or (iii) above is that which is material with respect to the issuer and its subsidiaries concerning: changes in business; changes in management or control; acquisitions or dispositions of assets; bankruptcy or receivership; changes in registrant's certifying accountants; the financial condition and results of operations; material legal proceedings; changes in securities or in the security for registered securities; defaults upon senior securities; material increases or decreases in the amount outstanding of securities or indebtedness; the results of the submission of matters to a vote of security holders; transactions with directors, officers or principal security holders; the granting of options or payment of other compensation to directors or officers; and any other information which the registrant deems of material importance to security holders.

This report is required to be furnished promptly after the material contained in the report is made public as described above. The information and documents furnished in this report shall not be deemed to be "filed" for the purposes of Section 18 of the Act or otherwise subject to the liabilities of that section.

If a report furnished on this form incorporates by reference any information not previously filed with the Commission, such information must be attached as an exhibit and furnished with the form.

C. Preparation and Filing of Report.

This report shall consist of a cover page, the document or report furnished by the issuer, and a signature page. Eight complete copies of each report on this form shall be deposited with the Commission. At least one complete copy shall be filed with each United States stock exchange on which any security of the registrant is listed and registered under Section 12(b) of the Act. At least one of the copies deposited with the Commission and one filed with each such exchange shall be manually signed. Unsigned copies shall be conformed.

D. Translations of Papers and Documents into English.

Reference is made to Rule 12b-12(d) [17 CFR 240.12b-12(d)]. Information required to be furnished pursuant to General Instruction B in the form of press releases and all communications or materials distributed directly to security holders of each class of securities to which any reporting obligation under Section 13(a) or 15(d) of the Act relates shall be in the English language. English versions or adequate summaries in the English language of such materials may be furnished in lieu of original English translations.

Notwithstanding General Instruction B, no other documents or reports, including prospectuses or offering circulars relating to entirely foreign offerings, need be furnished unless the issuer otherwise has prepared or caused to be prepared English translations, English versions or summaries in English thereof. If no such English translations, versions or summary have been prepared, it will be sufficient to provide a brief description in English of any such documents or reports. In no event are copies of original language documents or reports required to be furnished.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Ratio Analysis of the Consolidated Financial Statements

December 31, 2001

Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2001, except as indicated.

1. VALUATION OF ASSETS AND LIABILITIES

The financial statements of Celulosa Arauco y Constitución S.A., a Chilean corporation (the "Company") and its subsidiaries (the Company, together with its subsidiaries, "Arauco") have been prepared on the basis of accounting principles generally accepted in Chile and specific guidelines issued by the Superintendencia de Valores y Seguros of Chile (the "Chilean Securities Commission"). In management's opinion there is no material difference between the Company's economic value and the valuation reflected in the Company's financial statements.

2. ANALYSIS OF FINANCIAL POSITION

a) Analysis of the Balance Sheet

The principal components of assets and liabilities as of December 31, 2000 and 2001 are as follows:

| Assets | 2000 MMCh\$ | 2001 MMCh\$ |
|---------------------|------------------------|------------------------|
| Current assets | 508,315 | 755,071 |
| Net fixed assets | 2,377,560 | 2,461,135 |
| Other assets | 10,032 | 37,193 |
| Total assets | 2,895,907 | 3,253,399 |

| Liabilities and Shareholders Equity | 2000 MMCh\$ | 2001 MMCh\$ |
|--|------------------------|------------------------|
| Current liabilities | 235,383 | 117,392 |
| Long-term liabilities | 716,067 | 1,091,117 |
| Minority interest | 6,101 | 4,095 |
| Shareholders' equity | 1,938,356 | 2,040,795 |
| Total liabilities | 2,895,907 | 3,253,399 |

Total assets increased by 12.3%, or MMCh\$ 357,491 from December 31, 2000 to December 30, 2001. The increase is mainly attributable to a MMCh\$ 184,776 increase in marketable securities, a MMCh\$47,098 increase in trade accounts receivable and a MMCh\$ 83,575 increase in property, plant and equipment which in turn was due to the incorporation of a new production line at Paneles Arauco S.A. and the construction of a sawmill plant in Argentina.

Total liabilities increased by MMCh\$ 257,058 from December 31, 2000 to December 31, 2001. The increase is mainly attributable to a MMCh\$ 250,607 increase in bonds, which in turn is due to the issuance of new Yankee bonds during the third quarter of 2001 and an increase in current bank borrowings of MMCh\$ 24,141.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

**Ratio Analysis of the Consolidated Financial Statements
December 31, 2001**

Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2001, except as indicated.

In addition, the Company's equity increased by 5.2%, or MMCh\$ 102,439 from December 31, 2000 to December 31, 2001. The increase is mainly attributable to an increase of MMCh\$ 52,814 in other reserves, which in turn was largely due to the strong impact of exchange rate fluctuations during the year.

The main financial and operating ratios are as follows:

| Liquidity ratios | 2000 | 2001 |
|-------------------------|-------------|-------------|
| Current ratio | 2.16 | 6.43 |
| Acid ratio | 1.12 | 4.15 |

The increase in the current and acid ratios in 2001 is primarily attributable to an increase in trade accounts receivable by MMCh\$ 47,097 and marketable securities by MM\$ 155,170.

| Debt indicators | 2000 | 2001 |
|-------------------------------|-------------|-------------|
| Debt to equity ratio | 0.49 | 0.59 |
| Short-term debt to total debt | 0.25 | 0.10 |
| Long-term debt to total debt | 0.75 | 0.90 |
| Financial expenses covered | 5.13 | 2.34 |

The variation in the debt ratio is not significant, the increase by 0.10 points is primarily attributable to the greater liabilities to banks attributable to Alto Paraná S.A.'s debt and to the issuance of MMUS\$ 400 in Yankee bonds.

The variation in short-term debt to total debt ratios, from 24.7% in 2000 to 9.7% in 2001, is attributable to the incurrence of new long-term debt.

The ratio of financial expenses covered decreased 2.79 points. The decrease is attributable to a MMCh\$ 14,607 increase in financial expenses and a MMCh\$ 100,073 decrease in income from December 31, 2000 to December 31, 2001.

| Operational ratios | 2000 | 2001 |
|-----------------------------|-------------|-------------|
| Inventory turnover | 1.64 | 1.62 |
| Inventory permanence (days) | 219.64 | 222.02 |

The inventory turnover ratio decreased by 0.02 points. The decrease was primarily due to an increase in average inventory during 2001. Inventory permanence increased from 219 days in 2000 to 222 days in 2001.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Ratio Analysis of the Consolidated Financial Statements

December 31, 2001

Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2001, except as indicated.

b) Analysis of the Income Statement

The breakdown of operating income and costs is as follows:

| | 2000 | 2001 | 2000 | 2001 |
|-------------------------------|----------------|----------------|---------------|---------------|
| Operating income | MMCh\$ | MMCh\$ | % | % |
| Export sales | | | | |
| Pulp | 405,156 | 424,937 | 57.89 | 56.98 |
| Sawn timber and cut wood | 122,580 | 141,195 | 17.51 | 18.93 |
| Plywood and fiber panels | 35,245 | 59,209 | 5.04 | 7.94 |
| Forestry products | 6,256 | 3,753 | 0.89 | 0.50 |
| Other | 212 | - | 0.03 | - |
| Total export sales | 569,449 | 629,094 | 81.36 | 84.35 |
| Pulp | 33,734 | 23,637 | 4.82 | 3.17 |
| Sawn timber and cut wood | 35,897 | 38,665 | 5.13 | 5.18 |
| Forestry products | 27,102 | 17,450 | 3.87 | 2.34 |
| Plywood and fiber panels | 24,626 | 30,351 | 3.52 | 4.07 |
| Other | 9,128 | 6,676 | 1.30 | 0.89 |
| Total domestic sales | 130,487 | 116,779 | 18.64 | 15.65 |
| Total operating income | 699,936 | 745,873 | 100.00 | 100.00 |

| | 2000 | 2001 | 2000 | 2001 |
|--|----------------|----------------|---------------|---------------|
| Operating costs | MMCh\$ | MMCh\$ | % | % |
| Timber | 58,766 | 79,335 | 19.00 | 19.99 |
| Forestry work | 70,005 | 77,945 | 22.63 | 19.64 |
| Depreciation | 58,418 | 78,840 | 18.89 | 19.87 |
| Maintenance costs | 26,569 | 39,527 | 8.59 | 9.96 |
| Chemical products | 28,400 | 39,580 | 9.18 | 9.97 |
| Sawing services | 26,858 | 40,106 | 8.68 | 10.11 |
| Other raw materials and indirect costs | 24,329 | 25,523 | 7.87 | 6.43 |
| Energy and fuel costs | 15,962 | 15,993 | 5.16 | 4.03 |
| Total operating costs | 309,307 | 396,849 | 100.00 | 100.00 |

**CELULOSA ARAUCO Y CONSTITUCION S.A.
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Ratio Analysis of the Consolidated Financial Statements

December 31, 2001

Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2001, except as indicated.

Analysis of Operating Income

Operating income includes net income of MMCh\$ 192,291 compared to Ch\$271,384 in 2000, a decrease of MMCh\$ 79,093. The decrease is primarily due to a MM\$41,605 decrease in the gross margin, which in turn is attributable to lower prices during 2001 and an increase in administration and selling expenses. This increase was in turn the product of higher commission, freight and other transportation costs.

Analysis of Non-Operating Income (Loss)

There was a non-operating loss of MMCh\$ 130,134 during 2001, compared to a non-operating loss of MMCh\$ 77,363 in 2000. These losses were primarily caused by the following items:

- The foreign currency exchange rate loss, which increased from a loss of MMCh\$ 39,960 in 2000 to a loss of MMCh\$ 90,758 in 2001, due to the impact of increased fluctuation in the US dollar exchange rate in 2001 compared to 2000;
- Financial expenses, which increased by MMCh\$ 14,607 from MMCh\$ 53,281 in 2000 to MMCh\$67,888 in 2001, largely due to the increase in bonds payable dominated in US dollars, which in part was attributable to the effect of the increase in the US dollar exchange rate.

| Profitability ratios | 2000 | 2001 |
|-------------------------|----------|--------|
| Equity yield | 10.43 | 4.61 |
| Asset performance ratio | 7.09 | 2.98 |
| Operating asset ratio | 10.00 | 6.30 |
| Income per share (Ch\$) | 1,704.00 | 810.85 |

| | | | |
|------------------|--------|---------|---------|
| EBITDA (*) | MMCh\$ | 309,702 | 212,945 |
| Income after tax | MMCh\$ | 166,891 | 62,760 |

(*) Income before income tax, interest, depreciation, amortization and extraordinary items.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
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Ratio Analysis of the Consolidated Financial Statements

December 31, 2001

Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2001, except as indicated.

3. ANALYSIS OF CASH FLOW

| | 2000 | 2001 |
|--------------------------------------|---------------|----------------|
| | MMChS | MMChS |
| Operating cash flow | 265,934 | 150,537 |
| Cash flow from financing activities | 62,190 | 138,030 |
| Cash flow from investment activities | (289,739) | (82,751) |
| Net cash flow for the year | 38,385 | 205,816 |

The decrease in operating cash flows is largely due to lower collections of trade accounts receivable and an increase in payments to suppliers and personnel.

The increase in cash flows from financing activities is largely due to loans received from financial institutions during 2001.

The decrease in cash flows from investment activities is due to the impact of long-term investments related to the purchase of Forestal Cholguán S.A. and its subsidiaries in 2000.

4. MARKET RISK ANALYSIS

Pursuant to economic risks derived from interest rate variations, the Company has consistently applied policies consistent with the general policies of the industries in which it operates.

The Company's exposure to exchange rate variations decreased significantly, due to the fact that both the Company's liabilities and its income are denominated in US dollars.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Consolidated Balance Sheets

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

| ASSETS | At December 31, | | |
|--|----------------------|----------------------|----------------------------|
| | 2000 ThCh\$ | 2001 ThCh\$ | 2001 ThUS\$ (note 1) |
| CURRENT ASSETS : | | | |
| Cash | 5,956,622 | 4,392,138 | 6,708 |
| Time deposits | 31,365,127 | 1,759,098 | 2,687 |
| Marketable securities (note 3) | 90,492,071 | 275,268,570 | 420,392 |
| Trade accounts receivable (note 4) | 86,223,278 | 133,321,194 | 203,609 |
| Notes receivable | 5,514,830 | 3,936,478 | 6,012 |
| Other receivables | 14,367,775 | 12,489,558 | 19,074 |
| Notes and accounts receivable from related parties (note 18) | 393,674 | 465,172 | 710 |
| Inventories (note 5) | 230,843,891 | 254,439,503 | 388,582 |
| Recoverable taxes | 16,209,738 | 28,160,822 | 43,007 |
| Prepaid expenses | 12,594,931 | 13,202,042 | 20,162 |
| Deferred tax assets (note 15) | - | 3,152,924 | 4,815 |
| Other current assets | 14,353,274 | 24,483,148 | 37,391 |
| Total current assets | 508,315,211 | 755,070,647 | 1,153,149 |
| PROPERTY, PLANT AND EQUIPMENT: (note 6) | | | |
| Land | 225,329,977 | 239,833,135 | 366,275 |
| Forests | 1,234,226,301 | 1,266,639,284 | 1,934,421 |
| Buildings and other infrastructure | 827,718,711 | 878,554,704 | 1,341,735 |
| Machinery and equipment | 830,970,621 | 898,034,472 | 1,371,485 |
| Other | 121,663,531 | 144,580,156 | 220,804 |
| Technical revaluation | 45,828,689 | 45,163,213 | 68,974 |
| Less: Accumulated depreciation | (908,177,648) | (1,011,669,210) | (1,545,030) |
| Net property, plant and equipment | 2,377,560,182 | 2,461,135,754 | 3,758,664 |
| OTHER NON-CURRENT ASSETS: | | | |
| Investments in related companies (note 7) | 10,062,525 | 11,837,061 | 18,078 |
| Investments in other companies | 100,989 | 97,646 | 149 |
| Goodwill (note 8) | 2,698,035 | 2,954,445 | 4,512 |
| Negative goodwill (note 8) | (47,328,793) | (21,662,800) | (33,084) |
| Long-term receivables | 4,230,293 | 4,068,015 | 6,213 |
| Notes and accounts receivable from related parties (note 18) | - | - | - |
| Deferred tax assets (note 15) | - | - | - |
| Intangibles | 351,310 | 344,625 | 526 |
| Amortization | (75,935) | (89,277) | (136) |
| Other (note 9) | 39,993,517 | 39,642,969 | 60,543 |
| Total other non-current assets | 10,031,941 | 37,192,684 | 56,801 |
| Total assets | 2,895,907,334 | 3,253,399,085 | 4,968,614 |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Consolidated Balance Sheets

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

| LIABILITIES AND SHAREHOLDERS' EQUITY | At December 31, | | |
|---|----------------------|----------------------|----------------------------|
| | 2000 ThCh\$ | 2001 ThCh\$ | 2001 ThUS\$ (note 1) |
| CURRENT LIABILITIES: | | | |
| Current bank borrowings (note 10) | - | 56,658 | 87 |
| Current portion of long-term bank borrowings (note 14) | 144,903,650 | 25,439,413 | 38,851 |
| Current portion of bonds (note 12) | 14,527,767 | 21,079,536 | 32,193 |
| Current portion of other long term liabilities | 908,878 | 691,437 | 1,056 |
| Dividends payable | 161,564 | 1,098,555 | 1,678 |
| Trade account payable | 45,981,891 | 44,593,581 | 68,104 |
| Notes payable | 3,278 | 2,070 | 3 |
| Sundry accounts payable | 6,596,489 | 6,611,282 | 10,097 |
| Notes and accounts payable to related companies (note 18) | 416,229 | 445,778 | 680 |
| Accrued liabilities (note 13) | 12,546,575 | 12,977,347 | 19,819 |
| Withholding taxes | 3,094,491 | 3,506,856 | 5,356 |
| Income tax payable | 4,263,799 | - | - |
| Deferred income | 318,166 | 852,290 | 1,301 |
| Deferred tax liabilities (note 15) | 1,628,221 | - | - |
| Other current liabilities | 32,749 | 37,535 | 57 |
| Total current liabilities | 235,383,747 | 117,392,338 | 179,282 |
| LONG-TERM LIABILITIES: | | | |
| Long-term bank borrowings (note 14) | 46,123,669 | 189,672,708 | 289,669 |
| Bonds (note 12) | 596,016,101 | 840,071,034 | 1,282,963 |
| Notes payable | 807 | 783 | 1 |
| Sundry accounts payable | 9,426,804 | 5,221,074 | 7,974 |
| Accrued liabilities | 4,853,034 | 5,108,642 | 7,802 |
| Deferred tax liabilities (note 15) | 50,240,455 | 47,056,263 | 71,865 |
| Other long-term liabilities | 9,406,306 | 3,986,488 | 6,088 |
| Total long-term liabilities | 716,067,176 | 1,091,116,992 | 1,666,362 |
| Minority interest (note 25) | 6,100,928 | 4,094,841 | 6,253 |
| SHAREHOLDERS' EQUITY: (note 20) | | | |
| Paid-up in capital | 227,572,616 | 227,572,616 | 347,551 |
| Share premium | 3,682,937 | 3,682,937 | 5,625 |
| Forestry and other reserves | 910,317,677 | 963,131,283 | 1,470,901 |
| Retained earnings | 649,238,618 | 758,304,010 | 1,158,087 |
| Net income for the period | 191,684,928 | 91,611,794 | 139,910 |
| Interim dividends | (44,141,293) | (3,507,726) | (5,357) |
| Total shareholders' equity | 1,938,355,483 | 2,040,794,914 | 3,116,717 |
| Total liabilities and shareholders' equity | 2,895,907,334 | 3,253,399,085 | 4,968,614 |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Consolidated Statements of Income

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

| | At December 31, | | |
|--|---------------------|----------------------|--------------------|
| | 2000 | 2001 | 2001 |
| | ThCh\$ | ThCh\$ | ThUS\$ (note 1) |
| OPERATING INCOME: | | | |
| Sales revenue (note 21) | 699,936,059 | 745,872,904 | 1,139,102 |
| Cost of sales (note 22) | (309,307,068) | (396,849,010) | (606,071) |
| Gross profit | 390,628,991 | 349,023,894 | 533,031 |
| Administration and selling expenses (note 22) | (119,244,679) | (156,733,144) | (239,363) |
| <i>Operating income</i> | <i>271,384,312</i> | <i>192,290,750</i> | <i>293,668</i> |
| NON-OPERATING INCOME: | | | |
| Interest earned | 7,049,408 | 9,794,995 | 14,959 |
| Share of net income of related companies | 814,280 | 957,805 | 1,463 |
| Other non-operating income (note 23) | 5,716,550 | 13,334,087 | 20,364 |
| Amortization of goodwill (note 8) | (521,238) | (685,557) | (1,047) |
| Interest expenses | (53,280,720) | (67,888,268) | (103,679) |
| Other non-operating expenses (note 24) | (11,911,124) | (7,125,874) | (10,883) |
| Price-level restatement (note 1) | 14,729,478 | 12,237,713 | 18,690 |
| Foreign currency exchange rate (note 1) | (39,960,628) | (90,758,464) | (138,608) |
| <i>Non-operating loss</i> | <i>(77,363,994)</i> | <i>(130,133,563)</i> | <i>(198,741)</i> |
| Income before taxes, minority interest and amortization of negative goodwill | 194,020,318 | 62,157,187 | 94,927 |
| Income taxes (note 15) | (27,128,850) | 603,033 | 921 |
| Income before minority interest and amortization of negative goodwill | 166,891,468 | 62,760,220 | 95,848 |
| Minority interest (note 25) | (1,126,327) | (137,788) | (210) |
| Income before amortization of negative goodwill | 165,765,141 | 62,622,432 | 95,638 |
| Amortization of negative goodwill (note 8) | 25,919,787 | 28,989,362 | 44,272 |
| <i>Net income</i> | <i>191,684,928</i> | <i>91,611,794</i> | <i>139,910</i> |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
AND SUBSIDIARIES**

Statements of Consolidated Cash Flows

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

| CASH FLOWS FROM OPERATING ACTIVITIES | At December 31, | | |
|---|------------------------|--------------------|----------------------------|
| | 2000 | 2001 | 2001 |
| | ThCh\$ | ThCh\$ | ThUS\$ (note 1) |
| Net income | 191,684,928 | 91,611,794 | 139,010 |
| Loss (Profit) on sale of assets | | | |
| Loss (profit) on sale of property, plant and equipment | 607,164 | (933,956) | (1,426) |
| Profit on sale of financial investments | - | - | - |
| Loss on sale of other assets | 3,095 | - | - |
| Items affecting income not involving the movement of cash: | | | |
| Depreciation | 62,409,939 | 82,531,617 | 126,043 |
| Amortization of intangibles | 20,076 | 19,175 | 29 |
| Write-offs and provisions | 2,061,078 | 1,589,850 | 2,428 |
| Profit from investments accounted for under the equity method | (822,983) | (977,407) | (1,493) |
| Loss from investments accounted for under the equity method | 8,703 | 19,602 | 30 |
| Amortization of goodwill | 521,238 | 685,557 | 1,047 |
| Amortization of negative goodwill | (25,919,787) | (28,989,362) | (44,273) |
| Net price level restatement | (14,729,478) | (12,237,713) | (18,690) |
| Foreign currency exchange rate | 39,960,628 | 90,758,464 | 138,607 |
| Others | 22,115,841 | 22,653,765 | 34,597 |
| Decrease (Increase) in current assets: | | | |
| Clients and debtors | 9,562,181 | (79,972,218) | (122,134) |
| Inventory | (47,585,824) | 3,419,524 | 5,222 |
| Other current assets | (45,269,998) | (5,358,105) | (8,183) |
| Increase (Decrease) in current liabilities: | | | |
| Suppliers and creditors | 43,396,581 | (1,595,180) | (2,436) |
| Interest payable | 15,333,651 | 8,581,355 | 13,106 |
| Provision for income taxes | 1,647,576 | (20,325,766) | (31,042) |
| Other current liabilities | 10,929,691 | (943,330) | (1,441) |
| Net cash flows from operating activities | 265,934,300 | 150,537,666 | 229,901 |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

CELULOSA ARAUCO Y CONSTITUCION S.A. AND SUBSIDIARIES

Statements of Consolidated Cash Flows, continued

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

| CASH FLOWS FROM FINANCING ACTIVITIES | At December 31, | | |
|---|----------------------|---------------------|----------------------------|
| | 2000 ThCh\$ | 2001 ThCh\$ | 2001 ThUS\$ (note 1) |
| Loans from financial institutions | 163,798,031 | 209,229,677 | 319,537 |
| Bonds | 173,635,306 | 268,497,889 | 410,052 |
| Loans from related parties | - | - | - |
| Dividends paid | (65,051,005) | (42,841,416) | (65,428) |
| Loans paid | (203,097,029) | (202,106,454) | (308,658) |
| Repayments of bonds | (6,123,903) | (94,799,075) | (144,778) |
| Other financing activities | (971,230) | 49,482 | 76 |
| <i>Net cash flow from financing activities</i> | <i>62,190,170</i> | <i>138,030,103</i> | <i>210,801</i> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sales of property, plant and equipment | 1,240,172 | 3,183,361 | 4,862 |
| Sales of financial instruments | 74,101,893 | 54,510,125 | 83,248 |
| Loans paid by related parties | 581,484 | - | - |
| Purchase of property, plant and equipment | (138,870,771) | (125,618,905) | (191,846) |
| Investments in other companies | (165,357,922) | (2,155,338) | (3,292) |
| Purchases of financial instruments | (72,447,930) | (12,825,000) | (19,586) |
| Loans to related parties | (584,088) | - | - |
| Other investments | 11,597,287 | 153,789 | 235 |
| <i>Net cash flow from investment activities</i> | <i>(289,739,875)</i> | <i>(82,751,968)</i> | <i>(126,379)</i> |
| Net cash flows from operating, investing and financing activities | 38,384,595 | 205,815,801 | 314,323 |
| Effect of inflation | (2,343,932) | (2,260,448) | (3,452) |
| Net decrease in cash and cash equivalents | 36,040,663 | 203,555,353 | 310,871 |
| Initial balance of cash and cash equivalents | 49,955,274 | 85,995,937 | 131,334 |
| FINAL BALANCE OF CASH AND CASH EQUIVALENTS | 85,995,937 | 289,551,290 | 442,205 |

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial statements

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization and basis of presentation

Celulosa Arauco y Constitución S.A., a Chilean corporation (the "Company"), and its subsidiaries are engaged principally in the production of pulp and forestry and wood products and the management of its subsidiaries' forestry assets.

The financial statements of the Company and its subsidiaries (collectively known as "Arauco") are presented on a consolidated basis and have been prepared on the basis of accounting principles generally accepted in Chile and specific guidelines issued by the Superintendencia de Valores y Seguros (the "Chilean Securities Commission"). The Company consolidates the financial statements of the companies in which it controls a majority of voting shares. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain minor reclassifications among account headings have been made to these consolidated financial statements in order to present them on a basis more familiar to readers of financial statements in the United States (US).

The consolidated financial statements as of December 31, 2000 and 2001 include the following direct and indirect subsidiaries of the Company, all of which are incorporated in Chile (except as otherwise noted).

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Notes to the Consolidated Financial statements

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

(a) Organization and basis of presentation, continued

| Subsidiary company | Interest of the Company as of December 31, 2001 | | | Total as of December 31, 2000 |
|---|--|----------|-------|-------------------------------------|
| | Direct | Indirect | Total | Total |
| | % | % | % | % |
| Alto Paraná S.A. (Argentina) | - | 99.97 | 99.97 | 99.98 |
| Arauco Denmark ApS (Denmark) | 99.00 | 0.99 | 99.99 | 99.99 |
| Arauco Honduras S. de R.L. de C.V. (Honduras) | 99.00 | 0.99 | 99.99 | 99.99 |
| Arauco Ecuador S.A. (Ecuador) | 99.99 | 0.00 | 99.99 | - |
| Araucocomex S.A. de C.V. (Mexico) | 99.00 | 0.99 | 99.99 | 99.99 |
| Arauco Generación S.A. | 99.00 | 0.99 | 99.99 | 99.99 |
| Arauco Forest Products B.V. (The Netherlands) | - | 99.99 | 99.99 | 99.99 |
| Arauco Wood Products, Inc. (USA) | 98.81 | 1.18 | 99.99 | 100.00 |
| Aserraderos Arauco S.A. | 99.00 | 0.99 | 99.99 | 99.99 |
| Bosques Arauco S.A. | 1.00 | 98.93 | 99.93 | 99.93 |
| Arauco Perú S.A. (ex - Cholgúan Lima S.A.) (Perú) | 99.00 | 0.99 | 99.99 | 99.99 |
| Controladora de Plagas Forestales S.A. | - | 51.08 | 51.08 | 51.08 |
| Distribuidora Centromaderas S.A. | - | 99.99 | 99.99 | 99.99 |
| Forestal Arauco S.A. | 99.92 | - | 99.92 | 99.92 |
| Forestal Arauco Guatemala S.A. (Guatemala) | 85.00 | 14.99 | 99.99 | 99.99 |
| Forestal Celco S.A. | 1.00 | 98.93 | 99.93 | 99.93 |
| Forestal Cholgúan S.A. | - | 97.35 | 97.35 | 97.94 |
| Forestal Conosur S.A. (Uruguay) | 1.00 | 97.07 | 98.07 | 98.07 |
| Forestal Misiones S.A. (Argentina) | - | 99.99 | 99.99 | 99.99 |
| Forestal Valdivia S.A. | 1.00 | 98.93 | 99.93 | 99.93 |
| Industrias Forestales S.A. (Argentina) | 99.99 | - | 99.99 | 99.99 |
| Investigaciones Forestales Bioforest S.A. | 1.00 | 98.93 | 99.93 | 99.93 |
| Paneles Arauco S.A. | 99.62 | 0.37 | 99.99 | 99.99 |
| Servicios Logísticos Arauco S.A. (ex-Portuaria Arauco S.A.) | 45.00 | 54.96 | 99.96 | 99.96 |
| Inversiones Cholgúan S.A. (ex Sociedad Agrícola y Ganadera Tolhuaca S.A.) | - | 99.92 | 99.92 | 95.38 |
| Trupán Argentina S.A. (Argentina) | - | 99.99 | 99.99 | 99.99 |

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Notes to the Consolidated Financial statements

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

(b) Price-level restatement

The charge or credit for price-level restatement in the consolidated financial statements is comprised of the following three factors:

- (i) The effect of changes in the purchasing power of the Chilean peso during each period presented in the consolidated financial statements;
- (ii) The change in the value of assets and liabilities which are denominated in inflation index-linked units of account called Unidades de Fomento ("UF"); and
- (iii) The change in the value of assets and liabilities which are denominated in foreign currencies.

(i) Changes in purchasing power

The effect of the changes in the purchasing power of the Chilean peso during each period presented in the consolidated financial statements is calculated by restating non-monetary assets, liabilities, shareholders' equity and income statement accounts to reflect changes in the Chilean consumer price index from the date they were acquired or incurred to the end of the period. The net purchasing power gain or loss calculated as described above, and included in net income, reflects the effect of Chilean inflation on the value of monetary assets and liabilities (other than UF - and foreign currency - denominated assets and liabilities) held by Arauco.

The restatements were calculated using the official consumer price index of the Chilean National Institute of Statistics and are based on the "prior month rule", according to which inflation adjustments are based on the CPI at the close of the month preceding the close of the relevant period or transaction. This index is considered by the business community, the accounting profession and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in Chile and, consequently, is widely used for financial reporting purposes in Chile.

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Notes to the Consolidated Financial statements

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

(i) Changes in purchasing power, continued

The values of the CPI were as follows:

| | <i>Index</i> | <i>Change from previous December 31,</i> |
|-------------------|--------------|--|
| December 31, 2000 | 106.94 | 4.5% |
| December 31, 2001 | 109.76 | 2.6% |

The values of the CPI used for the price-level restatement for the two most recent fiscal years were as follows:

| | <i>Index</i> | <i>Change from previous November 30,</i> |
|-------------------|--------------|--|
| November 30, 2000 | 106.82 | 4.7% |
| November 30, 2001 | 110.10 | 3.1% |

The above-mentioned price-level restatements do not purport to represent appraisal or replacement values and are intended only to restate all non-monetary financial statement components in terms of local currency of a single purchasing power and to include in the net result for each period the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

For comparative purposes, the December 31, 2000 and 2001 consolidated financial statements and the amounts disclosed in the related notes have been restated in terms of Chilean pesos of December 31, 2001 purchasing power. This restatement does not change the prior periods' statements or information in any way except to restate the amounts included herein in constant Chilean pesos of similar purchasing power.

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(ii) Inflation Index-linked units of account (UF)

Assets and liabilities that are denominated in inflation index-linked units of account are stated at the period-end values of the respective units of account. The principal inflation index-linked unit used in Chile is the UF, which changes daily to reflect the changes in Chile's CPI.

Interest-bearing assets and liabilities that are denominated in UFs have their interest rates expressed in terms of an interest rate spread in excess of the indexations of the UF.

Values for the UF were as follows (historical pesos per UF):

| | <i>Ch\$</i> |
|-------------------|-------------|
| December 31, 2000 | 15,769.92 |
| December 31, 2001 | 16,262.66 |

(iii) Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currency are detailed in note 18 and have been translated into Chilean pesos at the observed exchange rates, as reported by the Central Bank of Chile. The observed exchange rates for foreign currencies were as follows:

| | <i>At December 31,</i> | |
|-------------|------------------------|-------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>Ch\$</i> | <i>Ch\$</i> |
| U.S. dollar | 573.65 | 654.79 |
| Yen | 5.01 | 4.99 |
| Euro | 538.84 | 578.18 |
| DM | 275.50 | 295.74 |
| GBP | 856.58 | 948.01 |
| FRF | 82.15 | 88.17 |
| NZD | 253.49 | 271.61 |

The differences arising in the valuations of assets and liabilities denominated in foreign currency as a result of variations in the exchange rates are accounted for in the income statement as an item of price-level restatement in the period in which they arise. Realized and unrealized losses and realized gains on forward foreign exchange contracts and currency swaps are accounted for under the account headings "Interest and other financial expenses" and "Interest earned" in the period in which they arise. See note 1 (n).

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(b) Price-level restatement, continued

Credit(charge) to income for price-level restatement:

The charge or credit to income for price-level restatement in each of the reporting periods was comprised of the restatements of non-monetary assets, UF and foreign currency-denominated monetary assets and liabilities, shareholders' equity and income statement accounts as follows:

| | <i>Period ended December 31,</i> | |
|--|----------------------------------|------------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| | <i>Credit (Charge)</i> | <i>Credit (Charge)</i> |
| Assets, liabilities and equity restating by CPI | | |
| Shareholders' equity | (77,779,450) | (57,273,553) |
| Property, plant and equipment, net | 70,360,713 | 55,893,742 |
| Inventories | 3,246,893 | 4,814,910 |
| Other assets and liabilities, net | 22,683,589 | 10,964,177 |
| Net effect on income | 18,511,745 | 14,399,276 |
| Price-level restatement of income statement accounts | (3,782,267) | (2,161,563) |
| Credit (Charge) to income by CPI | 14,729,478 | 12,237,713 |

| | <i>Period ended December 31,</i> | |
|--|----------------------------------|------------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| | <i>Credit (Charge)</i> | <i>Credit (Charge)</i> |
| Assets restating by foreign currency | | |
| Trade accounts receivable | 6,227,393 | 6,413,129 |
| Inventories | (7,919) | (44,776) |
| Other assets | (511,330) | (25,966,034) |
| Liabilities restating by foreign currency | | |
| Bank borrowings | (9,210,410) | (7,540,427) |
| Bonds | (33,577,530) | (71,219,981) |
| Other liabilities | (2,880,832) | 7,599,625 |
| Net effect on income by foreign currency | (39,960,628) | (90,758,464) |

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(c) Time deposits, marketable securities and investments purchased under agreements to resell

Time deposits are shown at cost plus price-level restatement and accrued interest.

Marketable securities are shown at the lower of cost plus accrued interest and price-level restatement, or market value.

Financial instruments purchased under agreements to resell are held at acquisition cost plus accrued interest and price-level restatement.

(d) Inventories

Inventories of raw materials, spare parts and supplies have been stated at the latest purchase price or restated cost as determined by price-level restatement principles. Imports in transit are held at accumulated cost at the balance sheet date plus price-level restatement.

Finished goods are stated at an average unit production cost for the period, including production overhead and depreciation of fixed assets, plus price-level restatement.

Inventory of forests in exploitation are stated at the commercially appraised value at which these forests were transferred from fixed assets.

Inventory is valued at the lower of price-level restated cost (or transferred value in the case of forest inventory) and market value.

(e) Property, plant and equipment

(i) Property, plant and equipment, excluding forests

Property, plant and equipment, excluding forests, are valued at cost plus price-level restatement. The carrying value of property, plant and equipment was adjusted in 1979 in accordance with the regulations of the Chilean Securities Commission. See note 7.

Property, plant and equipment, excluding forests and land, is depreciated on a straight-line basis over the estimated remaining useful lives of the underlying assets.

The estimated average remaining useful lives of the property, plant and equipment are as follows:

| | <i>Years</i> |
|------------------------------------|--------------|
| Buildings and other infrastructure | 44 |
| Machinery and equipment | 13 |
| Other | 2 |
| Technical revaluation | 11 |

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(e) *Property, plant and equipment, continued*

(i) Property, plant and equipment, excluding forests, continued

Arauco generally capitalizes the interest costs associated with financing its work in progress. Profits and losses on the sale of property, plant and equipment, excluding forests, are accounted for as the difference between the book value and the consideration received.

(ii) Forests

Radiata pine that is less than 16 years old is valued at the cost of development, maintenance and protection plus price-level restatement. Finance costs related to the development of the forests are not capitalized but are expensed in the income statement.

Radiata pine that is 16 or more years old is valued in accordance with a commercial valuation performed by Arauco based on sample measurements of forest growth carried out by independent third parties. The difference between the commercial valuation at year end and the prior year's valuations plus price-level restatement is accounted for as an adjustment to "Forests" and to shareholders' equity under the account heading "Forestry and other reserves".

Forests which are due to be exploited within one year are reallocated to inventory under current assets.

On the sale of a related finished good, the shareholders' equity account "Forestry and other reserves" is reduced by the amount of the commercial valuation allocable to such finished good. Such commercial valuation is excluded from cost of sales.

Commercial valuations are not performed on native forests.

(f) *Investments in related companies*

Investments in companies over which Arauco exercises significant, but not controlling, influence are shown under other non-current assets and are accounted for using the equity method. Arauco is presumed to exercise significant influence where its participation in a company is between 10% and 50%.

Arauco's proportionate share in the net income and losses of related companies is recognized in non-operating income in the statement of income on an accrual basis, after eliminating any unrealized profits from transactions between related companies.

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(g) Income taxes

Arauco has made provisions at each year-end for income taxes currently payable in accordance with current tax regulations. A detail of provisions for income taxes is shown in note 16.

At December 31, 2001, deferred income taxes have been recognized at the end of each period for all temporary differences between the financial reporting and tax bases of assets and liabilities. Until December 31, 1999, Arauco recognized deferred income taxes in the same manner except for the tax loss carry forwards of certain subsidiaries.

(h) Bonds

Bonds are shown at face value plus accrued interest and price-level restatement as of each period-end. The discount on, and expenses incurred in, the issue of the bonds are shown under other non-current assets and are amortized over the term of the instruments.

(i) Staff severance indemnities

Arauco has recorded a liability for long-term severance indemnities in accordance with the collective agreements entered into with its employees. Generally, upon leaving Arauco, employees who have completed five years of service are entitled to one month's salary for each year of service, up to the retirement age of 60 and 65 years for women and men, respectively. The provision for severance compensation is calculated on the basis of the present value of the total accrued cost of this benefit, discounted at a real annual interest rate of 8%.

(j) Research and development expenses

The cost of research, project development and special studies are charged to income in the year in which they are incurred, except for the cost of fixed assets once development has been approved. The cost of research and development charged to income was ThCh\$ 1,122,347 and ThCh\$ 951,980 for the periods ended December 31, 2000 and 2001, respectively.

(k) Negative goodwill on investments

Any excess of the book value of a company acquired over the purchase consideration paid is accounted for as a reduction of the consolidated assets in the balance sheet and is amortized to the income statement over a five-year period.

(l) Goodwill on investments

Any consideration paid to acquire a company in excess of its book value is accounted for as an increase of the consolidated assets in the balance sheet and is amortized over a five year period.

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(m) Cash and cash equivalents

Arauco considers cash and cash equivalents as representing cash and cash instruments with an original maturity of less than 3 months.

(n) Forward foreign exchange contracts and currency swaps

Arauco's open forward foreign exchange contracts and currency swaps are revalued according to the current spot rate on a monthly basis. Losses are accounted for in the income statement, whereas gains are deferred and accounted for as liabilities. Such gains are realized as income when the underlying contract expires.

Initial discounts, premiums or commissions on these contracts are deferred and amortized over the lives of the underlying contracts.

(o) Government grants awarded for forestry activities

Grants that are received from the Chilean government for forestry activities are accounted for as a credit to shareholders' equity or as a reduction of the cost of the forests. These amounts are realized as income on sale of the related finished goods.

(p) Provision for vacation pay

Vacation pay earned by employees but not paid is accounted for on an accrual basis.

(q) Convenience translation to US dollars

Arauco maintains its accounting records and prepares its financial statements in Chilean pesos. The United States dollar amounts disclosed in the financial statements are presented for convenience of the reader translated at the December 31, 2001 observed exchange rate of Ch\$654.79 per US\$1.00. This translation should not be construed as representing that the Chilean peso amounts actually represent, have been, or could be, converted into United States dollars at such rate or at any other rate.

(r) Allowance for doubtful accounts

Allowance for doubtful accounts are recorded based on uncollectibility analyses on an individual account basis.

(s) Leasing assets

Financing leases are recorded at the present value of the minimum lease payments, discounted by the purchase option interest rate indicated in the contract. The obligations are recorded as current and long-term liabilities net of deferred interest.

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(t) Intangibles

Intangible assets are recorded at cost, adjusted for price-level restatement and are amortized over 20 years.

(u) Revenue recognition policy

Revenues are recorded at the time of shipment of products to the customer or upon performance of services.

(v) Interest rate swap contracts

Interest expense on swap contract-related debt is adjusted for the net amount receivable or payable under the swap contract. The initial premium payable upon entry into the swap contract is amortized over the period of the underlying contract.

(w) Software

Internal development software costs are expensed when incurred. Purchased software is capitalized and amortized over the estimated useful life up to a maximum of four years. Capitalized software assets are classified in "Property, plant and equipment" as "other assets."

(x) Translation of foreign subsidiaries

The financial statements of foreign subsidiaries have been translated into Chilean pesos in accordance with Technical Bulletin ("BT") No. 64, "Accounting for Investments Abroad", issued by the Accountants Association of Chile. In accordance with BT No. 64, the financial statements of foreign subsidiaries whose activities do not constitute an extension of the Chilean parent company's operations and operate in countries that are exposed to significant risks, restrictions or inflation/exchange fluctuations, are remeasured into US dollars before translation into Chilean pesos. The Company has remeasured the operations of its Argentinean subsidiaries and the Panamanian agency that are not considered an extension of Arauco's operations into US dollars as follows:

- Monetary assets and liabilities are translated at period-end rates of exchange between the US dollar and the local currency.
- All non-monetary assets and liabilities and shareholders' equity are translated at historical rates of exchange between the US dollar and the local currency.
- Income and expense accounts are translated at average rates of exchange between the US dollar and the local currency.
- The effects of any exchange rate fluctuations as compared to the US dollar are included in the results of operations for the relevant period.

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(x) Translation of foreign subsidiaries, continued

Under BT No. 64, the investment in the foreign subsidiary is price-level restated, in order to separate the effect of price-level restating the foreign investment, which is reflected in income, from the effect of the foreign currency translation gain or loss, which is reflected in equity in the account "Cumulative Translation Adjustment", as the foreign investment itself is measured in US dollars. For the periods ended September 30, 2000 and 2001, as allowed by BT No. 64, the Company designated US dollar denominated debt as an economic hedge of its net foreign investment in Argentina.

The Company has recognized the effects of the devaluation of the Argentine peso to an exchange rate of P\$ 1.70 per US\$1.00, pursuant to Chilean Securities Commission instructions, in translating its assets and liabilities denominated in Argentine pesos into Chilean pesos in accordance with BT N° 64. The recognition resulted in a loss of ThCh\$ 15,976.

As of December 31, 2001 the Company's investments in Argentina represented 12.6% of its consolidated assets, compared to 16.2% at December 31, 2000.

It is not possible to predict what developments will occur in the Argentine economy, what effects the Argentine economic crisis may have on the economic and financial condition of the Company's Argentine subsidiaries or whether the Argentine economic crisis may effect developments in other emerging markets including Chile. The Company's financial statements include the financial effects of recent current Argentine developments in accordance with both Chilean Securities Commission instructions and Technical Bulletin guidelines.

2. CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting principles or presentation for the periods covered in these consolidated financial statements.

3. MARKETABLE SECURITIES

Marketable securities as of each year end, the majority of which are denominated in local currency, were as follows:

| | <i>As of December 31,</i> | |
|---|---------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Bonds | 12,938,076 | 320,281 |
| Units in mutual funds | 77,353,207 | 274,937,428 |
| Shares | 16,506 | 10,861 |
| Instruments of the Argentine government | 184,282 | - |
| Total marketable securities | 90,492,071 | 275,268,570 |

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4. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as of each year end were as follows:

| | <i>As of December 31,</i> | |
|--|---------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Trade accounts receivable | 88,296,974 | 134,350,013 |
| Allowance for doubtful accounts | (2,073,696) | (1,028,819) |
| Total trade accounts receivable | 86,223,278 | 133,321,194 |

As of December 31, 2000 and 2001, no single customer accounted for more than 10% of the outstanding balance of accounts receivable. Arauco takes steps to reduce the risk of non-payment for goods sold, including the use of letters of credit, receipt of advance payments and the use of insurance policies. If such measures were to fail, Arauco would be exposed to a maximum credit loss equivalent to the accounting balance. Arauco has not experienced any significant losses as a result of non-payment of accounts receivable.

5. INVENTORIES

Inventories have been valued in accordance with the policy described in note 1 (d). The principal components were as follows:

| | <i>As of December 31,</i> | |
|--------------------------------------|---------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Finished goods (pulp) | 39,414,470 | 20,205,981 |
| Finished goods (sawn timber) | 32,327,267 | 43,146,158 |
| Finished goods on consignment (pulp) | 28,015,265 | 19,801,936 |
| Work in progress | 4,449,396 | 1,575,260 |
| Sawlogs, pulpwood and chips | 5,404,372 | 8,698,024 |
| Raw material | 17,107,572 | 25,015,310 |
| Imports in transit | 105,700 | 744,648 |
| Forests under exploitation | 99,837,930 | 128,323,231 |
| Other | 4,181,919 | 6,928,955 |
| Total inventories | 230,843,891 | 254,439,503 |

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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including forests, have been valued as described in note 1 (e).

Technical revaluation and adjustment of book value

The balances of buildings and other infrastructure, machinery and equipment and other include amounts arising from the technical revaluation of certain assets performed during 1979, in accordance with regulations of the Chilean Securities Commission.

The accumulated net book value of these revaluations as of each year-end is detailed below by class of asset:

| | <i>As of December 31,</i> | |
|---|---------------------------|------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Buildings and other infrastructure | 2,891,525 | 2,450,768 |
| Machinery and equipment | 619,519 | 515,812 |
| Other | 2,295 | 1,722 |
| <i>Total increase in value due to technical revaluation of property, plant and equipment</i> | 3,513,339 | 2,968,302 |

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6. PROPERTY, PLANT AND EQUIPMENT, *continued*

The depreciation charge to income of property, plant and equipment was calculated as described in note 1 (e) and was as follows:

| | <i>As of December 31,</i> | |
|--|---------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Depreciation of: | | |
| Property, plant and equipment (excluding land and forests) | 61,615,682 | 81,986,580 |
| Technical revaluation | 794,257 | 545,037 |
| Total | 62,409,939 | 82,531,617 |

Accumulated depreciation was as follows:

| | <i>As of December 31</i> | |
|--|--------------------------|----------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Accumulated depreciation of: | | |
| Property, plant and equipment (excluding land and forests) | 866,443,888 | 970,051,847 |
| Technical revaluation | 41,733,760 | 41,617,363 |
| Total | 908,177,648 | 1,011,669,210 |

Forests

The price-level restated cost and the commercial valuation increment of the forests, determined as described in note 1(e), was as follows:

| | <i>As of December 31,</i> | |
|--------------------------------------|---------------------------|----------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Price-level restated cost of forests | 323,908,625 | 431,948,879 |
| Commercial valuation increment | 910,317,676 | 834,690,405 |
| Total | 1,234,226,301 | 1,266,639,284 |

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7. INVESTMENTS IN RELATED COMPANIES

From January 1 to December 31, 2001 Arauco's subsidiary Forestal Arauco S.A. purchased 377,485 shares of Forestal Cholguán S.A. for ThCh\$ 104,179. The investment resulted in negative goodwill of ThCh\$6,862 (historic) for Forestal Arauco S.A.

On July, 2001 the Company acquired 16.66% of Inversiones Puerto Coronel S.A. for ThCh\$ 2,003,730, resulting in goodwill of ThCh\$ 900,886.

During 2000, Arauco made the following investments in related companies:

From February 28 to December 31, 2000 Arauco's subsidiary Forestal Arauco S.A. purchased 359,030,386 shares of Forestal Cholguán S.A., mainly from related parties, equivalent to 97.25% of its shareholders' equity, for ThCh\$ 133,883,797. The investment resulted in negative goodwill of ThCh\$14,406,004 (historic) for Forestal Arauco S.A.

On March 31, 2000, Maderas Prensadas Cholguán S.A. acquired 50% of Trupán S.A. (now Paneles Arauco S.A.) for US\$ 37,000,000, resulting in goodwill of ThCh\$ 2,563,903 (historic). As a result of the acquisition Maderas Prensadas Cholguán S.A. held 99.99% of Trupán S.A., which it then transferred to the Company in September 2000. The Company currently holds a 99.99% controlling interest in Paneles Arauco S.A.

The investments in related companies at each year-end were as follows:

| | Percentage participation | | As of December 31, Investment Value | | Net income of investee | |
|---|--------------------------|-------|--|-------------------|------------------------|----------------|
| | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 |
| | % | % | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Puerto de Lirquén S.A. | 20.14 | 20.14 | 8,686,430 | 9,034,281 | 730,436 | 650,327 |
| Cia. de Inversiones Mobiliarias Ltda. (1) | 50.00 | - | - | - | 3,224 | - |
| Inversiones Puerto Coronel S.A. | 16.67 | 33.33 | 1,138,755 | 2,586,351 | 83,403 | 327,080 |
| Sigma Servicios Informáticos S.A. (2) | - | - | - | - | (1,333) | - |
| Sociedad CDEC-SIC Ltda. | 8.33 | 8.33 | 18,550 | 15,520 | (7,370) | (3,031) |
| Servicios Corporativos Sercor S.A. (2) | 20.00 | 20.00 | 218,790 | 200,909 | 5,920 | (16,571) |
| Total | | | 10,062,525 | 11,837,061 | 814,280 | 957,805 |

(1) Formerly Arauco Capital de Riesgo Ltda. The investment in this company was sold in November 2000.

(2) During August 2000 "Sigma Servicios Informáticos S.A." was divided into two companies, one keeping the same name and the other one called "Servicios Corporativos Sercor S.A.". The investment in Sigma Servicios Informáticos S.A. was sold to Cia. de Seguros Generales Cruz del Sur S.A.

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8 GOODWILL AND NEGATIVE GOODWILL

a) Negative goodwill as of each year end was as follows:

| | As of December 31, | | | |
|-------------------------------------|--|--|--|--|
| | 2000 | | 2001 | |
| | Amortization for the year ThCh\$ | Balance of negative goodwill ThCh\$ | Amortization for the year ThCh\$ | Balance of negative goodwill ThCh\$ |
| Alto Paraná S.A. | 15,278,914 | 16,690,272 | 16,915,656 | 1,562,550 |
| Industrial y Forestal Misiones S.A. | 7,164,403 | 14,328,805 | 7,931,884 | 7,931,884 |
| Licancel S.A. | 593,969 | 2,227,385 | 593,969 | 1,633,416 |
| Maderas Prensadas Cholguán S.A. | 442,829 | 1,091,225 | 457,006 | 627,155 |
| Forestal Cholguán S.A. | 2,439,672 | 12,991,106 | 3,090,847 | 9,907,795 |
| Total negative goodwill | 25,919,787 | 47,328,793 | 28,989,362 | 21,662,800 |

b) Goodwill as of each year end was as follows:

| | As of December 31, | | | |
|--|--|----------------------------------|--|----------------------------------|
| | 2000 | | 2001 | |
| | Amortization for the year ThCh\$ | Balance of goodwill ThCh\$ | Amortization for the year ThCh\$ | Balance of goodwill ThCh\$ |
| Forestal El Aguaray S.A. | 74,686 | 253,237 | 78,983 | 201,383 |
| Paneles Arauco S.A. (Ex-Trupán S.A.) | 410,567 | 2,444,798 | 514,694 | 1,930,103 |
| Aserraderos Cholguán S.A. | 35,985 | - | - | - |
| Inversiones Cholguán S.A. (ex - Agrícola y Ganadera Tolhuaca S.A.) | - | - | 415 | - |
| Inversiones Puerto Coronel S.A. | - | - | 91,440 | 822,959 |
| Controladora de Plagas Forestales S.A. | - | - | 25 | - |
| Total goodwill | 521,238 | 2,698,035 | 685,557 | 2,954,445 |

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9. OTHER NON-CURRENT ASSETS

Other non-current assets as of each year end were as follows:

| | <i>As of December 31,</i> | |
|---------------------------------------|---------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Recoverable taxes | 31,752,461 | 24,586,372 |
| Bond issue expenses | 5,941,078 | 11,924,976 |
| Discounts on bond issues | 1,664,945 | 1,798,956 |
| Financial instruments | 535,970 | 351,079 |
| Other | 99,063 | 981,586 |
| Total other non-current assets | 39,993,517 | 39,642,969 |

10. CURRENT BANK BORROWINGS

Current bank borrowings as of each year end were as follows:

| | <i>As of December 31,</i> | |
|---------------------------------------|---------------------------|---------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Total outstanding | - | 56,658 |
| Principal outstanding | - | 56,658 |
| Weighted average annual interest rate | - | - |

Current bank borrowings were denominated as follows:

| | <i>As of December 31,</i> | |
|--------------------------------------|---------------------------|---------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Obligations in foreign currency | - | 39,983 |
| Obligations in local currency | - | 16,675 |
| Total current bank borrowings | - | 56,658 |

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11. CURRENT LIABILITIES

(a) The following liabilities, excluding bank borrowings, fall due within one year:

| | <i>As of December 31,</i> | |
|--|---------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Current portion of bonds | 14,527,767 | 21,079,536 |
| Current portion of other long-term liabilities | 908,878 | 691,437 |
| Trade accounts payable | 45,981,891 | 44,593,581 |
| Notes payable | 3,278 | 2,070 |
| Accounts and notes payable to related parties | 416,229 | 445,778 |
| Current provisions | 12,546,575 | 12,977,347 |
| Sundry accounts payable and other liabilities | 16,095,479 | 12,106,518 |
| Total | 90,480,097 | 91,896,267 |

(b) The percentages of these obligations in foreign and local currency, excluding the effects of forward foreign exchange contracts and currency swaps, were as follows:

| | <i>As of December 31,</i> | |
|------------------|---------------------------|---------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>%</i> | <i>%</i> |
| Foreign currency | 50.52 | 49.97 |
| Local currency | 49.48 | 50.03 |
| Total | 100.00 | 100.00 |

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12. BONDS

Arauco had two series of domestic bonds and five series of Yankee Bonds outstanding as of December 31, 2001.

The balances of the bonds were as follows:

| | <i>As of December 31,</i> | |
|---|---------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Current | | |
| Series A bonds | 2,092,794 | 2,044,715 |
| Series B bonds | 824,956 | 821,147 |
| Yankee Bonds 1 st Issue | 505,182 | 338,704 |
| Yankee Bonds 2 nd Issue | 5,111,030 | 5,488,299 |
| Yankee Bonds 3 rd Issue | 5,993,805 | 6,353,509 |
| Yankee Bonds 4 th Issue | - | 6,033,162 |
| Total current (including accrued interest) | 14,527,767 | 21,079,536 |
| Long-term | | |
| Series A bonds | 2,957,067 | 985,923 |
| Series B bonds | 1,625,881 | 813,131 |
| Yankee Bonds 1 st Issue | 177,429,946 | 118,002,980 |
| Yankee Bonds 2 nd Issue | 236,573,262 | 261,916,000 |
| Yankee Bonds 3 rd Issue | 177,429,945 | 196,437,000 |
| Yankee Bonds 4 th Issue | - | 261,916,000 |
| Total long-term | 596,016,101 | 840,071,034 |
| Less total accrued interest | 11,743,451 | 18,294,556 |
| Total principal outstanding | 598,800,414 | 842,856,014 |

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12. BONDS, continued

These bonds have the following characteristics:

| | <i>Domestic Issue</i> | <i>Domestic Issue</i> | <i>Yankee Bonds 1st Issue</i> | <i>Yankee Bonds 2nd Issue</i> | <i>Yankee Bonds 3rd Issue</i> | <i>Yankee Bonds 4th Issue</i> |
|--|---|---|--|---|--|--|
| Issue date | Jan. 28, 1991 | Nov. 28, 1991 | Dec.15, 1995 | Oct. 3, 1997 | Aug. 15, 2000 | Sept. 10, 2001 |
| Authorized Amount (nominal) | Series A ThUF 4,800 | Series A ThUF 2,250 Series B ThUF 250 | 8 years ThUS\$200,000 12 years ThUS\$ 100,000 | 8 years ThUS\$ 175,000 12 years ThUS\$ 100,000 20 years ThUS\$ 125,000 | 10 years ThUS\$ 300,000 | 10 years Th\$400,000 |
| Issue amount | Series A ThUF 4,800 | Series A ThUF 1,650 Series B ThUF 160 | 8 years ThUS\$200,000 12 years ThUS\$100,000 | 8 years ThUS\$ 175,000 12 years ThUS\$ 100,000 20 years ThUS\$ 125,000 | 10 years ThUS\$300,000 | 10 years ThUS\$400,000 |
| Amounts Authorized but not issued | | Series A ThUF 600 Series B ThUF 90 | | | ThUS\$ 400,000 | |
| Principal Repayment | Semi-annually Between Aug.1995 And Feb.2003 | Semi-annually Between Jun.1994 And Dec.2003 | 8 years Dec. 2003 12 years Dec.2007 | 8 years September 2005 12 years September 2009 20 years September 2017 | August 2010 | September 2011 |
| Interest rate (excluding effects of any interest rate swap) | Series A 6% | Series A and B 6% | 8 years 6.75% 12 years 7.00% | 8 years 6.95% 12 years 7.20% 20 years 7.50% | 8.62 % | 7.75% |
| Interest Payment | Semi-annually | Semi-annually | Semi-annually | Semi-annually | Semi-annually | Semi-annually |

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12. BONDS, continued

As of December 31, 2001, the principal and interest amounts due with respect to these bonds were as follows:

| <i>Year</i> | <i>ThCh\$</i> |
|---------------------|--------------------|
| 2002 (*) | 21,079,533 |
| 2003 | 54,323,037 |
| 2004 | - |
| 2005 | - |
| 2006 and thereafter | 785,748,000 |
| Total | 861,150,570 |

(*) This amount includes ThCh\$ 18,294,556 of accrued interest.

The principal financial covenants contained in the instruments or agreements with respect to such bonds are as follows:

- Arauco's debt to equity ratio must not exceed the ratio of 1:2.1
- Arauco's current liabilities must not exceed its current assets.

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13. ACCRUED LIABILITIES

(a) Accrued liabilities were as follows:

| | <i>As of December 31,</i> | |
|--|---------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Accrued liabilities | | |
| Accrual for staff vacations | 2,212,379 | 2,430,264 |
| Plant maintenance accrual | 3,229,532 | 3,809,614 |
| Standby letters of credit | 310,249 | 465,181 |
| Accrual for contingencies | 1,505,908 | 1,067,372 |
| Staff severance indemnities | 315,027 | 307,885 |
| Sales and shipments expense provisions | 1,328,466 | 951,208 |
| Electrical expense provision | 899,032 | 868,000 |
| Pending monthly provisional payments | 753,714 | 187,700 |
| Other current liabilities | 1,992,268 | 2,890,123 |
| Total accrued liabilities | 12,546,575 | 12,977,347 |

(b) Liability for staff severance indemnities

The liability for staff severance indemnity payments is shown at its present value as described in note 1 (i). The movement in this account was as follows:

| | <i>Year ended December 31,</i> | |
|---------------------------------|--------------------------------|------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Balance at beginning of year | 5,117,107 | 5,028,146 |
| Provision during the year | 4,489,778 | 859,521 |
| Payments during the year | (4,438,824) | (471,140) |
| Balance as of period-end | 5,168,061 | 5,416,527 |

| | <i>As of December 31,</i> | |
|--------------------------------|---------------------------|------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Shown in the balance sheet as: | | |
| Current | 315,027 | 307,885 |
| Long-term | 4,853,034 | 5,108,642 |
| Total | 5,168,061 | 5,416,527 |

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14. LONG-TERM BANK BORROWINGS

(a) Long-term bank borrowings including accrued interest outstanding at each year-end were as follows:

| Bank or financial institution | Denomination | As of December 31, 2000 | | As of December 31, 2001 | |
|--|--------------|----------------------------|-----------------------|----------------------------|-----------------------|
| | | Long-term Portion | Short-term Portion | Long-term Portion | Short-term Portion |
| | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Morgan Guaranty Trust Company (2) (a) | US\$ | 44,357,486 | 118,661,435 | - | - |
| Morgan Guaranty Trust Company (2) (b) | US\$ | - | 22,389,622 | 24,554,625 | 24,634,632 |
| Export Development Corp (EDC) (1) | US\$ | - | 3,559,830 | - | - |
| J.P. Morgan -Chase (2) (c) | US\$ | - | - | 163,697,500 | 607,318 |
| Tesoro Argentino (3) | US\$ | 1,766,183 | 292,763 | 1,420,583 | 197,463 |
| Total long-term bank borrowings | | 46,123,669 | 144,903,650 | 189,672,708 | 25,439,413 |

The weighted average interest rate for foreign currency-denominated debt for the years ended December 31, 2000 and 2001 was 6.72% and 3.62%, respectively. Arauco enters into forward foreign exchange contracts and currency swap agreements to swap certain amounts of its non-US dollar denominated payment obligations for US dollar-denominated payment obligations.

The UF rate has been expressed as an interest spread in excess of the indexation of the UF. See note 1 (b).

Six month LIBOR at December, 2000 and 2001 was 6.2% and 4.75 %, respectively.

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14. LONG-TERM BANK BORROWINGS, continued

(1) Arauco II Project Loans

This debt was incurred in connection with the construction of the Arauco II pulp mill. These loans are denominated in US dollars. Interest rates are variable at LIBOR plus a maximum spread of 2%. In addition, the IFC Series C loan requires Arauco to pay 0.75% of its net income, determined before interest on any Arauco II project loans obtained subsequent to the date of the IFC Series C loan. The IFC Series C loan is subordinate to all other Arauco II loans. The most restrictive debt covenants are the requirements to maintain a minimum current ratio of 1:1 where current assets must exclude 30% of related party receivables and a maximum debt to equity ratio of 1.2:1. Interest and principal on the loans were payable semi-annually. The loans were paid in 2001.

(2) Alto Paraná Loans

a) This syndicated loan was incurred in connection with the acquisition of Alto Paraná. The loan, denominated in US dollars, carries a variable interest rate of LIBOR plus 0.35% and is payable semi-annually. The principal portion of the loan, US\$ 300 million, is due upon maturity in 2001. The most restrictive debt covenants are the requirements to maintain a consolidated interest coverage ratio of 1.2:1 and a minimum consolidated net worth of ThCh\$661,500,000.

b) In addition to the loan mentioned in (a), the Company obtained a US\$ 150 million loan in order to repay outstanding debt. The loan is denominated in US dollars, and has a variable interest rate of LIBOR plus 0.35%. Interest payments are due quarterly, while the loan principal is repayable in four annual payments, which began on March 20, 2000.

c) The Argentine subsidiary Alto Paraná S.A. obtained a US\$ 250 million loan in order to redeem preferred equity shares. The loan is denominated in US dollars, and has a variable interest rate of LIBOR plus a market spread.

(3) Tesoro Argentino

Alto Paraná owed an aggregate principal amount of US\$ 13 million and additional accrued interest payable to the Argentine government in respect of certain loans originally made by Banco Nacional de Desarrollo to Alto Paraná. These loans were originally covered by guarantees issued by the governments of other countries which sought reimbursement from the Argentine government for payment made under these guarantees. The Argentine government renegotiated its debt with the "Paris Club" countries and, pursuant to Resolution 40/95 issued by the Ministry of Economy and Public Works and Services, has extended these terms to the Argentine companies that originally incurred this debt, including Alto Paraná. According to their terms, those Governmental Obligations have been restructured to mature in installments between 1995 and 2008 and accrue interest at a contractual rate of LIBOR plus a spread of up to 0.625%.

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14. LONG-TERM BANK BORROWINGS, continued

(b) Debt distribution

As of December 31, 2000 and 2001 long-term bank borrowings, including both the current portion and interest accrued, were denominated almost exclusively in foreign currencies.

(c) Maturity of long-term bank borrowings

As of December 31, 2001, the maturities of long-term bank borrowings payable were as follows:

| <i>Year</i> | <i>ThCh\$</i> |
|--------------|--------------------|
| 2002 | 90,179,919 |
| 2003 | 65,663,791 |
| 2004 | 32,962,789 |
| 2005 | 866,209 |
| Total | 189,672,708 |

The principal financial covenant contained in the instruments or agreements with respect to such long-term bank borrowings was as follows:

- The interest coverage ratio must not be less than 2.0.

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15. INCOME TAXES**(a) Taxable income**

In accordance with Chilean law, the Company and each of its subsidiaries compute and pay tax on a separate basis and not on a consolidated basis.

On a consolidated basis, Arauco recorded charges for income taxes amounting to ThCh\$ 23,539,661 and ThCh\$ 10,391,473 for the years ended December 31, 2000 and 2001, respectively. Furthermore, Arauco established provisions for ThCh\$ 51,943 as of December 31, 2000 and ThCh\$ 44,546 as of December 31, 2001 in accordance with Article 21 of the Income Tax Law. These amounts are shown in "Income tax payable," net of monthly prepayments and training expenses.

The detail of income tax expense is as follows:

| | <i>As of December 31</i> | |
|--|--------------------------|----------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Income tax | (23,539,661) | (10,391,473) |
| Provisions estimated in accordance with Article N° 21 of the Income Tax Law in Chile | (51,943) | (44,546) |
| Taxes effected from the previous year | 351,572 | (120,513) |
| Deferred income tax | (5,554,423) | 9,222,613 |
| Amortization of complementary accounts | 190,727 | (1,591,166) |
| Recovery for tax losses | 1,474,878 | 3,528,118 |
| Total Income Tax | (27,128,850) | 603,033 |

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15. INCOME TAXES, continued

(b) Retained taxable earnings

Shareholders of Chilean corporations are entitled to a tax credit against tax due on dividend distributions to the extent of their allocable share of tax paid by the corporation on such earnings prior to distribution. The retained taxable earnings generated by the Company, along with the related tax credit, if any, that would be available to shareholders on distribution of such amounts, are presented below. Under Chilean tax law, dividend distributions must be made from earnings in years with available credits on a first-in, first-out basis. Remaining tax credits on undistributed earnings as of December 31, 2001 were as follows:

| | <i>Retained Earnings</i> | | <i>Shareholders' Tax</i> |
|---------------------------------|--------------------------|-----------------------|--------------------------|
| | <i>With Credit</i> | <i>Without Credit</i> | <i>Credit</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Balance as of December 31, 2000 | 50,126,791 | - | 8,833,876 |
| Balance as of December 31, 2001 | 18,406,093 | 1,893 | 3,247,806 |
| Total | 68,532,884 | 1,893 | 12,081,682 |

(c) Deferred taxation

As explained in note 1 (g), as of December 31, 2000 and 2001, Arauco recorded accumulated deferred taxes arising from temporary differences, as follows:

| | <i>As of December 31, 2000</i> | | | |
|---|--------------------------------|-------------------|---------------------------------|-------------------|
| | <i>Deferred tax assets</i> | | <i>Deferred tax liabilities</i> | |
| | <i>Current</i> | <i>Long term</i> | <i>Current</i> | <i>Long term</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Allowance for doubtful accounts | 287,030 | 927,404 | - | - |
| Deferred revenues | 189,629 | - | 259,108 | - |
| Accrual for staff vacations | 296,150 | - | - | 23,145 |
| Production costs | - | - | 4,890,452 | 3,177 |
| Property, plant and equipment depreciation | - | - | - | 46,312,558 |
| Capitalized expenses | - | - | 154,490 | - |
| Obsolescence reserve | 408,756 | - | - | 9,440 |
| Debt issue and project expenses | - | - | - | 3,799,987 |
| Staff severance indemnities | 606,922 | 159,738 | 84 | 1,954 |
| Forest valuation | - | 251,674 | - | - |
| Leasing assets | 3,240 | 72,241 | - | 84,893 |
| Tax loss carry forwards | 1,566,027 | 4,037,088 | - | - |
| Property, plant and equipment valuation | - | 53,716,033 | - | 19,669,887 |
| Accrual for contingencies | 527,068 | 215,656 | - | - |
| Inventories valuation | 184 | 373,448 | 301,148 | - |
| Plant maintenance accrual | 408,961 | - | - | - |
| Other | 270,986 | 13,880 | 883 | 1,304,662 |
| Total | 4,564,953 | 59,767,162 | 5,606,165 | 71,209,703 |
| Complementary accounts, net of accumulated amortization (1) | (587,231) | (27,298,760) | (222) | (20,715,243) |
| Valuation provision | - | (32,214,397) | - | - |
| Total | 3,977,722 | 254,005 | 5,605,943 | 50,494,460 |

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15. INCOME TAXES, continued

(c) Deferred taxation, continued

| | <i>As of December 31, 2001</i> | | | |
|---|--------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | <i>Deferred tax assets</i> | | <i>Deferred tax liabilities</i> | |
| | <i>Current ThCh\$</i> | <i>Long term ThCh\$</i> | <i>Current ThCh\$</i> | <i>Long term ThCh\$</i> |
| Allowance for doubtful accounts | 741,643 | 79,462 | - | - |
| Deferred revenues | 149,044 | 23,116 | - | - |
| Accrual for staff vacations | 540,578 | - | - | - |
| Production costs | - | - | 4,131,880 | 28,290 |
| Capitalized expenses | - | - | 498,464 | 1,458,938 |
| Property, plant and equipment depreciation | - | - | - | 49,817,682 |
| Staff severance indemnities | 626,983 | 230,249 | - | - |
| Forest valuation | - | - | 159,800 | - |
| Devaluation Argentine currency | 1,693,538 | 6,774,151 | - | - |
| Debt issue and project expenses | - | - | - | 3,517,945 |
| Obsolescence reserve | 375,437 | - | - | - |
| Accrual for contingencies | 822,288 | - | - | - |
| Tax loss carryforwards | 2,408,460 | 2,367,001 | - | - |
| Property, plant and equipment valuation | - | 60,691,523 | - | 22,098,732 |
| Leasing assets | 50,611 | 6,209 | 46,266 | 29,642 |
| Plant maintenance accrual | 442,636 | - | - | - |
| Inventories valuation | 142,430 | - | - | - |
| Project valuation difference | - | - | - | 2,121,442 |
| Other | 378,970 | 506,630 | 3,099 | 557,618 |
| Total | 8,372,618 | 70,678,341 | 4,839,509 | 79,630,289 |
| Complementary accounts, net of accumulated amortization (1) | (424,506) | (34,690,775) | (44,321) | (24,788,166) |
| Valuation provision | - | (28,201,706) | - | - |
| Total | 7,948,112 | 7,785,860 | 4,795,188 | 54,842,123 |

(1) These accounts reverse over the same period as the timing differences that gave rise to them with an average of approximately 15 years.

16. FORESTRY GRANTS

Forestry grants are included in shareholders' equity under the account heading "Forestry and other reserves". These grants are transferred to income at the time of sale of the related finished goods. Forestry grants received during the year ending December 31, 2000 and 2001 were ThCh\$612,645 and ThCh\$189,209 respectively.

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17. ASSETS AND LIABILITIES DENOMINATED IN LOCAL AND FOREIGN CURRENCY

As of each year-end, Arauco had assets and liabilities denominated in local and foreign currencies. These assets and liabilities are shown at their local and foreign currency equivalent at each year-end.

| | <i>Currency</i> | <i>At December 31,</i> | |
|---|------------------|------------------------|----------------------|
| | | <i>2000</i> | <i>2001</i> |
| | | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Assets | | | |
| Current Assets: | | | |
| Cash and banks | US\$ | 2,748,677 | 2,482,289 |
| Cash and banks | Ch\$ | 1,747,205 | 904,993 |
| Cash and banks | Other currencies | 1,460,740 | 1,004,856 |
| Time deposits and marketable securities | US\$ | 65,271,902 | 106,448,755 |
| Time deposits and marketable securities | Ch\$ | 56,585,296 | 39,877,841 |
| Time deposits and marketable securities | Other currencies | - | 130,701,072 |
| Trade accounts receivable | US\$ | 72,291,261 | 115,699,187 |
| Trade accounts receivable | Ch\$ | 12,235,944 | 14,788,909 |
| Trade accounts receivable | Other currencies | 1,696,073 | 2,833,098 |
| Other accounts receivable | US\$ | 7,234,552 | 4,988,681 |
| Other accounts receivable | Ch\$ | 7,133,223 | 7,500,877 |
| Inventories | US\$ | 27,288,530 | 41,291,295 |
| Inventories | Ch\$ | 203,555,361 | 213,148,208 |
| Other current assets | US\$ | 23,838,647 | 20,327,736 |
| Other current assets | Ch\$ | 25,227,800 | 53,072,850 |
| Total current assets | | 508,315,211 | 755,070,647 |
| Property, plant and equipment and other assets: | | | |
| Property, plant and equipment | US\$ | 629,655,928 | 693,223,238 |
| Property, plant and equipment | Ch\$ | 1,747,904,254 | 1,767,912,516 |
| Other assets | US\$ | 4,049,939 | 31,765,481 |
| Other assets | Ch\$ | 5,982,002 | 5,427,203 |
| Total property, plant and equipment and other assets | | 2,387,592,123 | 2,498,328,438 |
| Total assets | | 2,895,907,334 | 3,253,399,085 |

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**17. ASSETS AND LIABILITIES DENOMINATED IN LOCAL AND FOREIGN CURRENCY,
continued**

| | <i>Currency</i> | <i>At December 31,</i> | |
|--|------------------|---------------------------|-----------------------------|
| | | <i>2000</i> | <i>2001</i> |
| | | <i>ThCh\$</i> | <i>ThCh\$</i> |
| <i>Liabilities</i> | | | |
| Current liabilities: | | | |
| Current portion of long-term bank borrowings | US\$ | 144,903,650 | 25,479,396 |
| Current portion of long-term bank borrowings | Ch\$ | - | 16,675 |
| Current portion of bonds | US\$ | 11,610,016 | 18,213,675 |
| Current portion of bonds | Ch\$ | 2,917,751 | 2,865,861 |
| Notes and trade accounts payable | US\$ | 17,521,007 | 18,087,891 |
| Notes and trade accounts payable | Ch\$ | 28,215,385 | 26,390,094 |
| Notes and trade accounts payable | Other currencies | 245,499 | 115,596 |
| Other current liabilities | US\$ | 16,560,940 | 9,571,774 |
| Other current liabilities | Ch\$ | 13,409,499 | 16,651,376 |
| <i>Total current liabilities</i> | | <i>235,383,747</i> | <i>117,392,338</i> |
| Long-term liabilities: | | | |
| Long-term bank borrowings | US\$ | 46,123,669 | 189,672,708 |
| Bonds | US\$ | 591,433,150 | 838,271,980 |
| Bonds | Ch\$ | 4,582,951 | 1,799,054 |
| Other long-term liabilities | US\$ | 17,872,295 | 8,862,328 |
| Other long-term liabilities | Ch\$ | 56,055,111 | 52,510,922 |
| <i>Total long-term liabilities</i> | | <i>716,067,176</i> | <i>1,091,116,992</i> |
| <i>Total liabilities</i> | | <i>951,450,923</i> | <i>1,208,509,330</i> |

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18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

| Company | Relationship | As of December 31, | | Transaction |
|---|---------------------------|---------------------------|----------------|---------------------|
| | | 2000 | 2001 | |
| | | ThCh\$ | ThCh\$ | |
| (a) Current assets | | | | |
| Cia. de Seguros Generales Cruz del Sur S.A. | Affiliate | 343,753 | 465,172 | Accounts receivable |
| Fundación Educacional Arauco | Affiliate | 43,735 | - | Accounts receivable |
| Brian Leslie | Shareholder in subsidiary | 6,186 | - | Loan |
| Total current assets | | 393,674 | 465,172 | |
| (b) Current liabilities | | | | |
| Compañía de Petróleos de Chile S.A. | Shareholder | 183,096 | 114,116 | Accounts payable |
| Puerto de Lirquén S.A. | Affiliate | 123,088 | 153,973 | Accounts payable |
| Fundación Educacional Arauco | Affiliate | - | 58,054 | Accounts payable |
| Compañía Puerto de Coronel S.A. | Affiliate | 72,616 | 107,545 | Accounts payable |
| Abastible S.A. | Affiliate | 3,773 | 3,155 | Accounts payable |
| Sigma Servicios Informáticos S.A. | Affiliate | 28,779 | 2,898 | Accounts payable |
| Frontel S.A. | Affiliate | 2,887 | - | Accounts payable |
| Cia. de Turismo de Chile Ltda. | Affiliate | 1,990 | 6,037 | Accounts payable |
| Total current liabilities | | 416,229 | 445,778 | |

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18. BALANCES AND TRANSACTIONS WITH RELATED PARTIES, *continued*

During the year ended December 31, 2000 and 2001, Arauco had the following related party transactions that affected net income:

| | <i>Purchases (sales)</i> | |
|--|----------------------------------|---------------|
| | <i>Period ended December 31,</i> | |
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| (a) Compañía de Petróleos de Chile S.A.: | | |
| Purchases of fuel | 3,569,287 | 7,196,032 |
| Other Sales | (950) | (949) |
| (b) Puerto de Lirquén S.A.: | | |
| Port services | 1,060,701 | 1,023,411 |
| (c) ABC Comercial S.A.: | | |
| Other Purchases | 903 | 4,359 |
| (d) Abastible S.A.: | | |
| Purchases of fuel | 106,920 | 182,616 |
| (e) Frontel S.A.: | | |
| Electric power purchases | 65,604 | 38,340 |
| (f) Compañía de Seguros | | |
| Generales Cruz del Sur S.A.: | | |
| Direct insurance premiums | 2,063,436 | 4,610,633 |
| (g) Compañía de Turismo de Chile Ltda. | | |
| Purchase of tickets | 90,106 | 74,511 |
| (h) Fundación Educacional Arauco: | | |
| Other sales | 278 | 307 |
| (i) Cía. Puerto de Coronel S.A.: | | |
| Stockpiling services | 845,689 | 1,413,698 |
| Other purchases | 430 | 115 |
| (j) Soc. Austral de Electricidad S.A. | | |
| Electric power purchases | 26,346 | 19,598 |
| Other sales | (2,958) | (1,635) |
| (k) Fundación Habitacional Arauco | | |
| Other purchases | 34,595 | 140 |
| (l) Sigma Servicios Informáticos S.A. | | |
| Processing service | - | 20,563 |

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19. CONTINGENCIES AND COMMITMENTS

(a) Arauco

Arauco is not currently involved in any court proceedings or other legal actions which could significantly affect its financial or operational condition.

The liabilities included in current and long-term bank borrowings require Arauco to comply with certain financial restrictions. Non-compliance could result in these debts becoming fully payable upon demand.

The minimum financial restrictions are:

- i) The debt ratio must not be higher than 1.2.
- ii) The current ratio must not be less than 1.0.
- iii) The interest coverage ratio must not be less than 2.0.

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20. SHAREHOLDERS' EQUITY

The movements in the capital and reserve accounts for each of the periods ended December 31, 2000 and 2001 are as follows:

| <i>December 31, 2000</i> | <i>Paid-in capital ThCh\$</i> | <i>Share premium ThCh\$</i> | <i>Forestry and other reserves ThCh\$</i> | <i>Retained earnings from prior years ThCh\$</i> | <i>Accum. deficit in the development stage ThCh\$</i> | <i>Interim dividends ThCh\$</i> | <i>Net income for the period ThCh\$</i> | <i>Total ThCh\$</i> |
|--|---------------------------------------|-------------------------------------|---|--|---|---|---|-------------------------|
| Balance as of December 31, 1999 | 210,821,381 | 3,411,843 | 792,962,090 | 514,799,622 | (112,853) | (7,581,214) | 114,115,479 | 1,628,416,348 |
| Prior period income allocation | - | - | - | 114,115,479 | - | - | (114,115,479) | - |
| Equity price level restatement | 9,908,605 | 160,357 | 37,124,752 | 28,634,266 | (5,304) | (381,890) | - | 75,440,786 |
| Dividends paid | - | - | - | (27,713,831) | - | 7,581,214 | - | (20,132,617) |
| Cumulative translation adjustment | - | - | 4,876,954 | - | - | - | - | 4,876,954 |
| Forestry reserve | - | - | 51,056,304 | - | - | - | - | 51,056,304 |
| Forestry reserve adjustment related to subsidiaries | - | - | (3,073,761) | - | - | - | - | (3,073,761) |
| Absorption of accumulated deficit of subsidiary in the development stage | - | - | - | (118,157) | 118,157 | - | - | - |
| Interim dividends | - | - | - | - | - | (42,432,167) | - | (42,432,167) |
| Net income for the period | - | - | - | - | - | - | 185,921,366 | 185,921,366 |
| Balance as of December 31, 2000 | 220,729,986 | 3,572,200 | 882,946,339 | 629,717,379 | - | (42,814,057) | 185,921,366 | 1,880,073,213 |
| Current balances for comparative effects | 227,572,616 | 3,682,937 | 910,317,677 | 649,238,618 | - | (44,141,293) | 191,684,928 | 1,938,355,483 |

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20. SHAREHOLDERS' EQUITY, continued

| <i>December 31, 2001</i> | <i>Paid-in capital ThCh\$</i> | <i>Share premium ThCh\$</i> | <i>Forestry and other reserves ThCh\$</i> | <i>Earnings from prior years ThCh\$</i> | <i>Interim dividends ThCh\$</i> | <i>Net income for the period ThCh\$</i> | <i>Total ThCh\$</i> |
|---|---------------------------------------|-------------------------------------|---|---|---|---|-------------------------|
| Balance as of December 31, 2000 | 220,729,986 | 3,572,200 | 882,946,339 | 629,717,379 | (42,814,057) | 185,921,366 | 1,880,073,213 |
| Prior period income allocation | - | - | - | 185,921,366 | - | (185,921,366) | - |
| Equity price level restatement | 6,842,630 | 110,737 | 27,264,455 | 23,055,731 | - | - | 57,273,553 |
| Dividends paid | - | - | - | (80,390,466) | 42,814,057 | - | (37,576,409) |
| Cumulative translation adjustment | - | - | 19,008,253 | - | - | - | 19,008,253 |
| Forestry reserve | - | - | 35,660,765 | - | - | - | 35,660,765 |
| Forestry reserve adjustment related to subsidiaries | - | - | (1,748,529) | - | - | - | (1,748,529) |
| Interim dividends | - | - | - | - | (3,507,726) | - | (3,507,726) |
| Net income for the period | - | - | - | - | - | 91,611,794 | 91,611,794 |
| Balance as of December 31, 2001 | 227,572,616 | 3,682,937 | 963,131,283 | 758,304,010 | (3,507,726) | 91,611,794 | 2,040,794,914 |

The number of shares authorized, issued and outstanding as of December 31, 2000 and 2001 was 113,152,446. The Company's shares are of a single series without a fixed nominal value.

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21. SALES REVENUE

Arauco's sales revenues were derived from export and domestic sales of the following products:

| | <i>Period ended December 31,</i> | |
|-------------------------------------|----------------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Export sales | | |
| Bleached pulp | 321,831,594 | 330,352,433 |
| Unbleached pulp | 83,324,053 | 94,584,740 |
| Sawlogs | 1,644,735 | 118,425 |
| Flitches | 4,671,121 | 3,485,824 |
| Sawn timber | 74,399,971 | 74,222,663 |
| Remanufactured wood products | 43,508,940 | 63,486,229 |
| Plywood and fiber panels | 35,245,268 | 59,208,903 |
| Posts | 4,611,032 | 3,634,942 |
| Other | 211,984 | - |
| Total export sales revenue | 569,448,698 | 629,094,159 |
| Domestic sales | | |
| Bleached pulp | 31,877,933 | 22,940,187 |
| Unbleached pulp | 1,855,988 | 696,540 |
| Sawlogs | 20,860,347 | 10,388,044 |
| Pulplogs | 6,241,475 | 7,061,662 |
| Sawn timber | 34,360,468 | 30,377,105 |
| Remanufactured wood products | 1,536,802 | 8,288,396 |
| Chips | 834,260 | 793,950 |
| Electric power | 2,066,691 | 2,263,232 |
| Plywood and fiber panels | 24,625,502 | 30,351,135 |
| Other | 6,227,895 | 3,618,494 |
| Total domestic sales revenue | 130,487,361 | 116,778,745 |
| Total sales revenue | 699,936,059 | 745,872,904 |

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22. OPERATING COSTS

(a) Cost of sales

Arauco's cost of sales consisted of the following:

| | <i>Year ended December 31,</i> | |
|--|--------------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Timber | 58,766,260 | 79,335,266 |
| Chemical products | 28,399,613 | 39,580,150 |
| Maintenance costs | 26,569,354 | 39,527,337 |
| Depreciation | 58,417,593 | 78,839,951 |
| Energy and fuel costs | 15,961,932 | 15,993,398 |
| Forestry works | 70,004,724 | 77,945,297 |
| Port costs | 4,902,407 | 6,853,114 |
| Sawing services | 26,858,108 | 40,106,677 |
| Electric power costs | 1,637,790 | 273,761 |
| Other raw materials, indirect cost and other | 17,789,287 | 18,394,059 |
| Total cost of sales | 309,307,068 | 396,849,010 |

(b) Administration and selling expenses

Administration and selling expenses were as follows:

| | <i>Year ended December 31,</i> | |
|--|--------------------------------|--------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Wages and salaries | 20,033,765 | 21,197,691 |
| Insurance | 1,498,862 | 2,544,060 |
| Depreciation | 3,462,337 | 3,374,738 |
| Freight | 50,550,079 | 74,760,470 |
| Other transportation costs | 14,979,937 | 20,357,789 |
| Selling expenses | 9,611,293 | 13,394,461 |
| Other administrative expenses | 19,108,406 | 21,103,935 |
| Total administration and selling expenses | 119,244,679 | 156,733,144 |

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23. OTHER NON-OPERATING INCOME

Other non-operating income was as follows:

| | <i>Year ended December 31,</i> | |
|---|--------------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Reversal of cumulative translation adjustment reserve | - | 7,641,344 |
| Reimbursement of customs duties | 1,151,836 | 2,435,973 |
| Reversal of provision for selling expenses | 1,289,837 | 56,953 |
| Gain on settlement of the Alto Paraná indemnity | 1,159,834 | - |
| Contract unfulfillment indemnification | 382,263 | - |
| Rental income | 156,853 | 113,917 |
| Profit on sale of other services | - | 85,506 |
| Insurance recoveries | 113,602 | 543,051 |
| Forestry promotion income | 428,708 | - |
| Sale of materials and others | 146,486 | 146,310 |
| Gain on sale of property, plant and equipment | - | 933,956 |
| Other income | 887,131 | 1,377,077 |
| Total other non-operating income | 5,716,550 | 13,334,087 |

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24. OTHER NON-OPERATING EXPENSES

Other non-operating expenses were as follows:

| | <i>Year ended December 31,</i> | |
|--|--------------------------------|-------------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Other services and fees | 183,318 | 384,825 |
| Other depreciation and amortization | 729,061 | 552,343 |
| Loss on sales of property, plant and equipment | 607,164 | - |
| Donations | 335,683 | 357,937 |
| Severance payments | 5,351,788 | 92,854 |
| Project expenses | 770,098 | 499,604 |
| Write-off of obsolete material | 77,180 | 15,396 |
| Provision for uncollectible accounts receivable | 537,092 | 476,541 |
| Legal expenses | 67,334 | 72,242 |
| Taxes | 1,370,027 | 2,306,259 |
| Write-off of damaged inventory | 152,858 | 271,677 |
| Write-off of inventory | 9,160 | 181,577 |
| Other expenses | 1,720,361 | 1,914,619 |
| <i>Total other non-operating expenses</i> | <i>11,911,124</i> | <i>7,125,874</i> |

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25. MINORITY INTEREST

The equity value corresponding to the shareholders' minority interest in each of the Company's subsidiaries was as follows:

| | <i>As of December 31,</i> | |
|--|---------------------------|------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Alto Paraná S.A. | 207,476 | 127,410 |
| Forestal Arauco S.A. | 998,660 | 1,068,032 |
| Agrícola y Ganadera Tolhuaca S.A. | 14,880 | - |
| Forestal Cholguán S.A. | 4,733,039 | 2,753,301 |
| Controladora de Plagas Forestales S.A. | 146,873 | 146,098 |
| Total | 6,100,928 | 4,094,841 |

The income value corresponding to the shareholder minority interest in each of the Company's subsidiaries was as follow:

| | <i>As of December 31,</i> | |
|--|---------------------------|------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Alto Paraná S.A. | (7,318) | 1,892 |
| Forestal Arauco S.A. | (36,606) | (41,035) |
| Agrícola y Ganadera Tolhuaca S.A. | 8,823 | 5,161 |
| Forestal Cholguán S.A. | (1,092,213) | (104,341) |
| Controladora de Plagas Forestales S.A. | 987 | 535 |
| Total | (1,126,327) | (137,788) |

26. SANCTIONS

During the years ended December 31, 2000 and 2001, none of the Company, any of the members of the Board of Directors or the Chief Executive Officer of the Company were sanctioned by the Chilean Securities Commission.

**CELULOSA ARAUCO Y CONSTITUCION S.A.
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Notes to the Consolidated Financial statements

Restated for general price-level changes and expressed in thousands of constant Chilean pesos as of December 31, 2001, except as indicated.

27. BOND ISSUE COSTS

Arauco amortizes costs related to the issuance of bonds on a straight-line basis over the terms of the bonds.

The charges to income related to such amortizations for the years ended December 31, 2000 and 2001 were ThCh\$ 1,126,984 and ThCh\$ 1,347,213, respectively, which amounts are reflected in the statement of income under the heading "Interest Expense". The costs recorded for each year are shown below.

| | <i>As of December 31,</i> | |
|-------------------------------|---------------------------|-------------------|
| | <i>2000</i> | <i>2001</i> |
| | <i>ThCh\$</i> | <i>ThCh\$</i> |
| Stamp tax | 3,885,096 | 6,181,293 |
| Underwriters commission | 2,477,627 | 3,677,131 |
| Rate insurance commission | 331,594 | 261,784 |
| Risk evaluation | 15,251 | 69,857 |
| Accounting advice | 54,734 | 28,670 |
| Printing costs | 93,321 | 65,119 |
| Legal advice | 131,358 | 327,244 |
| Repayment of bonds | - | 3,082,650 |
| Other | 155,492 | 97,570 |
| Total bond issue costs | 7,144,473 | 13,791,318 |

28. CASH FLOW

According to regulations established in Circular N° 1312 by the Chilean Securities Commission, the following describes financing or investing activities that will require future cash flows.

| Investment Flows | Currency | Amount | Affected Flow |
|--------------------------|----------|---------|---------------|
| Purchase of fixed assets | ThCh\$ | 599,314 | 2002 |
| Plywood Mill expansion | ThUS\$ | 21,909 | 2002 |
| Investment projects | ThUS\$ | 10,000 | 2002 |

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29. ENVIRONMENTAL

The following current and future expenditures related to the improvement of or investment in product processes designed to protect the environment were made during the nine-month period ended December 31, 2001.

- New Circulation Project: a project to reinforce the oxygen-peroxide extraction phase. Spent: M\$16,070. Estimated total cost: M\$ 16,070.
- Cleaning Project: a project for purifying white pulp. Spent: M\$ 8,817. Estimated total cost: M\$40,478.
- Cleaner Batteries Project: a project for purifying brown paste. Estimated total cost: M\$ 29,216.
- Monitoreo Project: a project for improving the Company's environmental impact on the marine environment and air quality. Spent: M\$ 34,120. Estimated future cost: M\$ 25,240.

The subsidiaries Forestal Celco S.A., Forestal Cholguán S.A., Bosques Arauco S.A. and Forestal Valdivia S.A. are implementing an environmental system, regulated under a certification process under rule ISO 14.001. For this reason, between January 1 and December 31, 2001 we have paid M\$ 109,767, and we anticipate spending an additional amount for this item of M\$ 100,837.

30. SUBSEQUENT EVENTS

No events have occurred since December 31, 2001 and subsequent to the issuance of these financial statements that may affect significantly the financial situation of Arauco.

Robinson Tajmuchi V.
Controller

Alejandro Pérez R.
Chief Executive Officer